

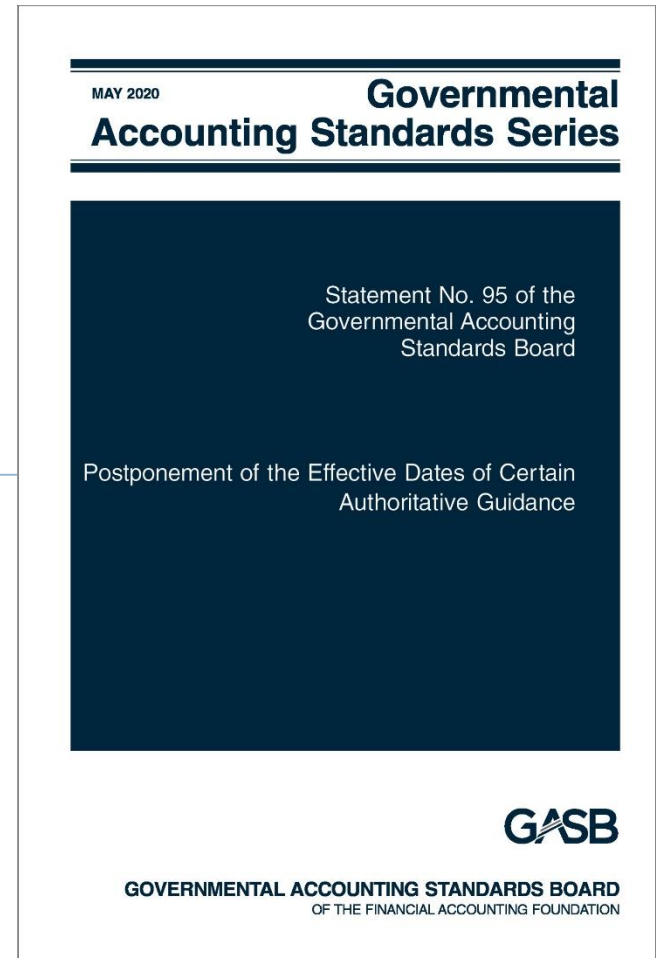
GASB Update: So much for 2020 vision, huh?

Presented by
Frank Crawford, CPA
Crawford & Associates, P.C.
www.crawfordcpas.com
frank@crawfordcpas.com
[@fcrawfordcpa](https://www.linkedin.com/company/fcrawfordcpa)



Postponement of the Effective Dates of Certain Authoritative Guidance

Statement No. 95



Effective Dates after Statement 95

December 31: Fiscal Year 2020

- Statement 83 – asset retirement obligations
- Statement 84 – fiduciary activities
- Statement 88 – debt disclosures
- Statement 90 – majority equity interests
- IG 2018-1 – Update
- IG 2019-2 – fiduciary activities

December 31: Fiscal Year 2021

- Statement 89 – construction-period interest
- Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
- IG 2019-1 – update

December 31: Fiscal Year 2022

- Statement 87 – leases
- Statement 91 – conduit debt
- Statement 92 – omnibus (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications
- Statement 97 – certain component unit criteria and Section 457 plans
- IG 2019-3 – leases
- IG 2020-1 – update

December 31: Fiscal Year 2023

- Statement 94 – public-private partnerships
- Statement 96 – SBITAs

Effective Dates after Statement 95

Sept 30: Fiscal Year 2020

- Statement 83 – asset retirement obligations
- Statement 88 – debt disclosures
- IG 2018-1 – Update

Sept 30: Fiscal Year 2021

- Statement 84 – fiduciary activities
- Statement 90 – majority equity interests
- Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
- IG 2019-1 – update
- IG 2019-2 – fiduciary activities

Sept 30: Fiscal Year 2022

- Statement 87 – leases
- Statement 89 – construction-period interest
- Statement 92 – omnibus (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications
- Statement 97 – certain component unit criteria and Section 457 plans
- IG 2019-3 – leases
- IG 2020-1 – update (except 4.6-4.17 and 4.19-4.21)

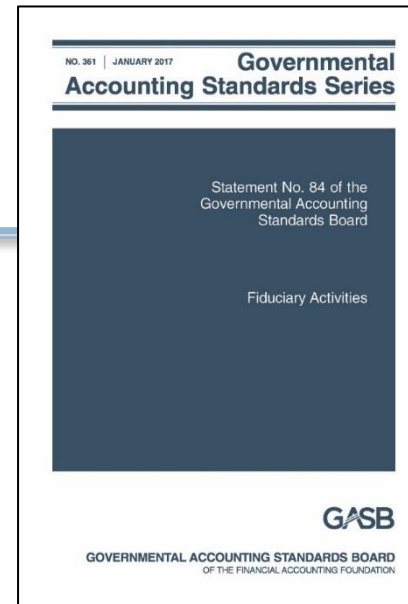
Sept 30: Fiscal Year 2023

- Statement 91 – conduit debt
- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- IG 2020-1 – update (4.6-4.17 and 4.19-4.21)

Two big Pronouncements In Play!!

Fiduciary Activities

Statement No. 84



Fiduciary Activities

What?

The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements

Why?

Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; BTAs are uncertain about how to report fiduciary activities

When?

Effective for periods beginning after December 15, 2018, COVID Impact

Earlier application is encouraged

Four potential paths to reports assets in a fiduciary fund

1. Is there a component unit present that are postemployment benefit arrangements? (Pensions / OPEB)



2. Is there are component unit present that may be a fiduciary activity, but not a postemployment benefit arrangement?



3. Are there postemployment benefit arrangements that are not component units (currently agency funds)?



4. Are there other potential fiduciary activities? (Investment trust funds, private purpose trusts, agency funds)?

All Other Activities Are Fiduciary if.. 4

Arrangement
meets one or
more of the
criteria in

Next Slide

and

The government
controls the assets

and

Those assets are
not derived either:

- Solely from the government's own-source revenues, or
- From grants, with the exception of pass-through grants for which the government does not have administrative or direct financial involvement

Other Fiduciary if...

They have one or more of the following characteristics:



Assets are:

- Administered through a trust in which government is *not* a beneficiary
- Dedicated to providing benefits, AND
- Legally protected from the creditors of government



- Assets are for the benefit of individuals
- Assets are *not* derived from government's provision of goods or services to the individuals AND
- Government does *not* have administrative involvement or direct financial involvement w/ the assets



- Assets are for the benefit of organizations/ governments *not* part of the reporting entity AND
- Assets are *not* derived from government's provision of goods or services to them

or

or

Fiduciary Fund Classes

Pension
and other
employee
benefit
trust fund

Investment
trust fund

Private-
purpose
trust fund

Custodial
fund

Trust agreement or equivalent arrangement should be present

Administrative Involvement

- Important consideration – especially for those in education
- Considerations:
 - Monitoring secondary recipients for compliance with program-specific requirements
 - Determining eligible secondary recipients or projects, even if using grantor-est. criteria
 - Having the ability to exercise discretion in how the funds are allocated
 - Financing direct program costs or providing matching resources
 - Consider reference to “2020 UFARS Manual pg 39”

Government ABC
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 20X2
(in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 184,351	\$ 840,693	\$ 104,747	\$ 58,196
Receivables:				
Employee	2,123	—	—	—
Employer	83,004	—	—	—
Taxes for other governments	—	—	—	206,937
Interest and dividends	175,402	12,166	—	—
Sale of investments	30,879	—	—	—
Total receivables	291,408	12,166	—	206,937
Investments at fair value:				
Short-term investments	2,268,960	241,645	61,591	—
Bonds, notes, mortgages, and preferred stock	14,115,391	804,576	187,650	—
Common stock	20,342,440	—	520,196	—
Real estate	3,408,145	—	—	—
International investments	1,723,951	—	—	—
Mutual funds	72,315	178,046	—	—
Pooled investment funds	23,128	—	—	—
Total investments	41,954,330	1,224,267	769,437	—
Securities lending collateral	1,746,544	—	—	—
Other assets	13,519	181	81,157	361
Total assets	44,190,152	2,077,307	955,341	265,494
LIABILITIES				
Accounts payable and other liabilities	130,846	1,361	61,447	1,451
Due to local governments	—	—	—	164,201
Obligations under securities lending	1,346,544	—	—	—
Other long-term liabilities	1,617	—	7,870	—
Total liabilities	1,479,007	1,361	69,317	165,652
NET POSITION				
Restricted for:				
Pensions	29,897,802	—	—	—
Postemployment benefits other than pensions	12,813,343	—	—	—
Pool participants	—	2,075,946	—	—
Individuals, organizations, and other governments	—	—	885,024	99,842
Total net position	\$ 42,711,145	\$ 2,075,946	\$ 885,024	\$ 99,842

Could have
TWO columns
– external
investment
pool –
nontrust

▶ *Similar
except for
Custodial
Funds*

Government ABC
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
for the Year Ended June 30, 20X2
(in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Members	\$ 297,846	\$ —	\$ —	\$ —
Employers	1,259,384	—	—	—
Other plans	148,792	—	—	—
Gifts and bequests	—	—	197,258	—
Total contributions	1,706,022	—	197,258	—
Investment earnings:				
Net increase in fair value of investments	1,852,408	64,663	33,702	—
Interest, dividends, and other	1,416,448	58,465	30,378	—
Securities lending income	76,075	—	—	—
Total investment earnings	3,344,931	123,128	64,080	—
Less investment costs:				
Investment activity costs	32,281	50,236	63	—
Securities lending costs	73,642	—	—	—
Net investment earnings	3,239,008	72,892	64,017	—
Capital share and individual account transactions:				
Shares sold	—	2,817,210	—	—
Reinvested distributions	—	72,892	—	—
Shares redeemed	—	(2,776,843)	—	—
Net capital share and individual account transactions	—	113,259	—	—
Sales tax collections for other governments	—	—	—	1,811,120
Miscellaneous	1,130	—	—	1,468
Total additions	4,946,160	186,151	261,275	1,812,588
DEDUCTIONS				
Benefits paid to participants or beneficiaries	1,963,047	—	—	—
Medical, dental, and life insurance for retirees	536,027	—	—	—
Refunds and transfers to other systems	170,514	—	—	—
Administrative expense	19,920	—	43	293
Beneficiary payments to individuals	—	—	211,179	—
Payments of sales tax to other governments	—	—	—	1,811,120
Distributions to shareholders	—	72,892	—	—
Total deductions	2,689,508	72,892	211,222	1,811,413
Net increase (decrease) in fiduciary net position	2,256,652	113,259	50,053	1,175
Net position—beginning	40,454,493	1,962,687	635,971	98,667
Net position—ending	\$ 40,454,493	\$ 1,962,687	\$ 635,971	\$ 99,842

► *Similar except for Custodial Funds*

Liability Recognition

- ▶ Recognize a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources
 - Events that compel a government to disburse resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the asset.

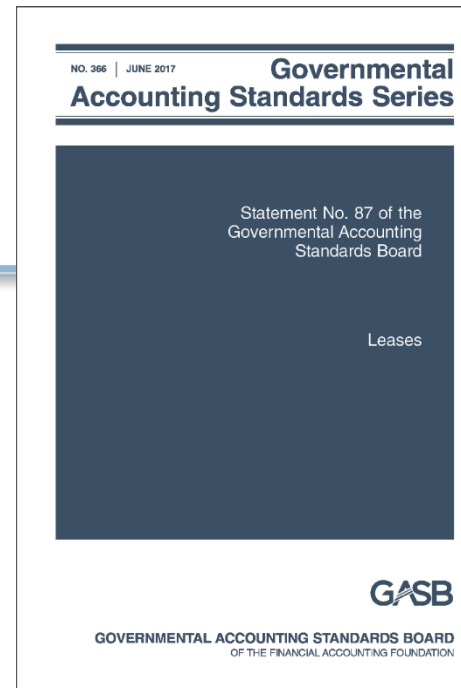
Liabilities other than those to beneficiaries should be recognized in accordance with existing accounting standards using the economic resources measurement focus

Identifying Fiduciary Activities

Activity	Fiduciary	NOT Fiduciary
Payroll Clearing Accounts		X -IG 2019-2 Q4.15
Performance Deposits		X - IG 2019-2 Q4.12
Single Employer DB Pension Plans	X - (commonly)	
Retainages		X IG 2019-2 4.13
Property Tax Collected for Other Local Govt	X	
Property Tax Collection/Admin Fee		X IG 2019-2 4.38
Seized Property/Sheriff	X - Maybe	X - Maybe (IG 2020-1 Q 4.4

Leases

Statement No. 87



Leases

What?

The Board issued Statement 87 to improve lease accounting and financial reporting

Why?

Existing standards in effect for decades without review in light of GASB's conceptual framework; FASB and IASB conducted a joint project to update their lease standards; opportunity to increase comparability and usefulness of information and reduce complexity for preparers

When?

Effective for periods beginning after December 15, 2019, COVID Impact

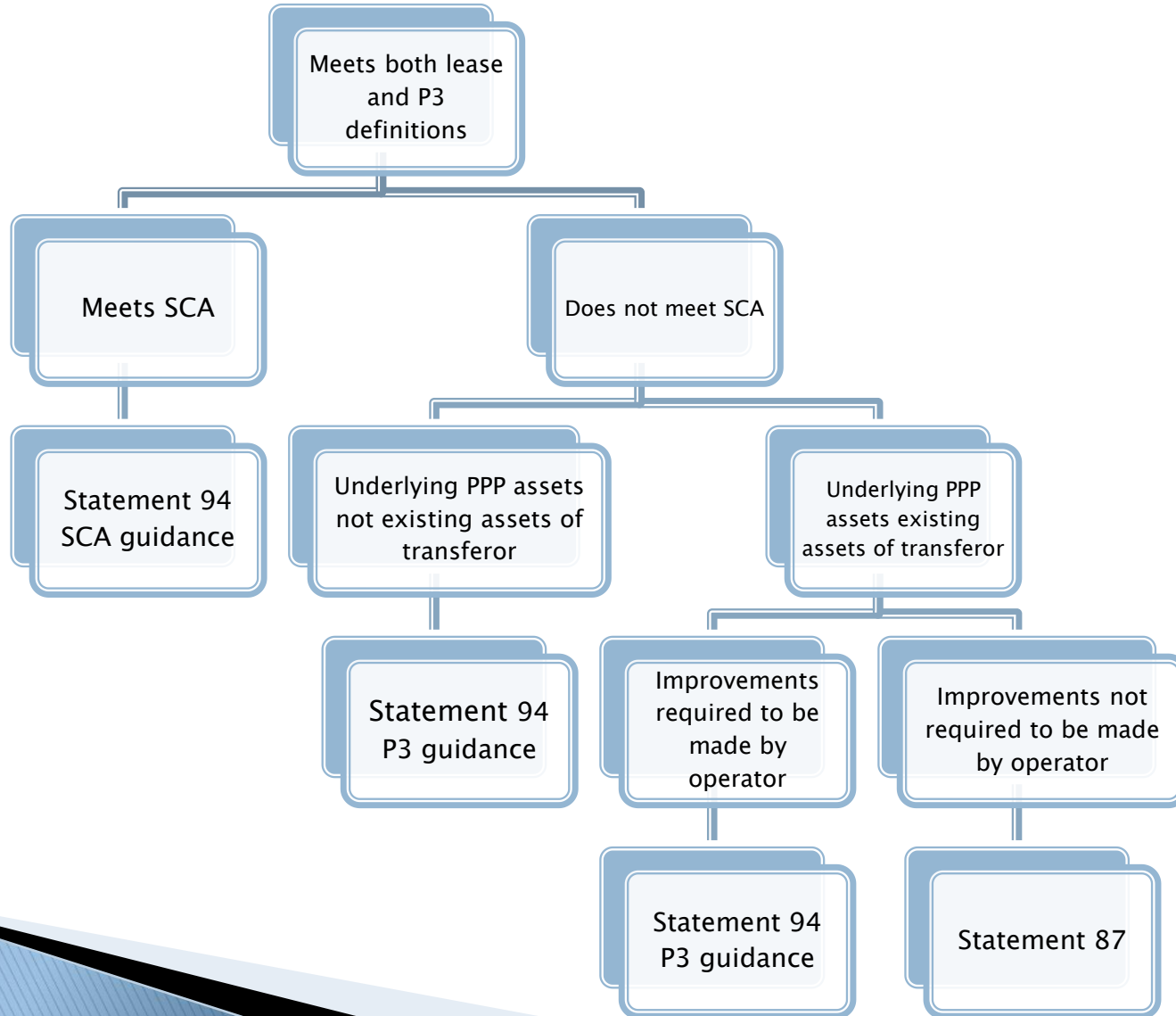
Earlier application is encouraged

Definition of a Lease

A contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified by the contract for a period of time in an exchange or exchange-like transaction.

- Contract: In writing or verbal, if legally binding
- Control: Specific two-part definition (*see next slide*)
- Non-financial asset: Anything but a financial asset as defined in GASB 72 (cash, financial instruments, etc.)
- Non-exchange transactions are automatically excluded. Without the exchange, there is nothing to value the lease components

Relationship between Leases and P3



Relationship between Leases and SBITAs

- ▶ All SBITAs meet definition of lease
- ▶ Depends on what the underlying asset is:
 - Tangible capital assets alone – Statement 87
 - IT software alone – Statement 96
 - IT software in combination with tangible capital assets:
 - Software component is insignificant compared to cost of underlying tangible capital asset – Statement 87
 - Otherwise – Statement 96

Leases Overview – Initial Reporting

	Assets	Liability	Deferred Inflow
LESSEE	<ul style="list-style-type: none"> Intangible asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use 	<ul style="list-style-type: none"> Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.) 	N/A
LESSOR	<ul style="list-style-type: none"> Lease receivable (generally including same items as lessee liability) Continue to report leased asset 	N/A	<ul style="list-style-type: none"> Equal to lease receivable plus any cash received up front that relates to a future period

Leases Overview – Subsequent Reporting

	Assets	Liability	Deferred Inflow
LESSEE	<ul style="list-style-type: none">• Amortize the intangible asset over shorter of useful life or lease term	<ul style="list-style-type: none">• Reduce by lease payments (less amount for interest expense)	NA
LESSOR	<ul style="list-style-type: none">• Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition)• Reduce receivable by lease payments (less payment needed to cover accrued interest)	NA	<ul style="list-style-type: none">• Recognize revenue over the lease term in a systematic and rational manner

GASB 87—Don't Wait to Start!

Start reviewing
existing leases as
soon as possible

Implement IC to
identify leases &
lease modifications

Update accounting
systems for new
information needs

Consider impact
on capitalization
policy

Consider impact of
reporting lease
liabilities

Consider transition
issues

Don't forget guidance in
IG 2019-3 and 2020-1

[GAQC archived web event on
leases](#)

What else is on the table?

- The Big 3 is coming!
 - The new financial reporting model project
 - A new concepts statement on note disclosures
 - Revenue and expense recognition
- If you are planning on retiring in the next 5 years, then you can ignore all of these changes coming 😊

Questions?